

May 23, 2017

FOR YOUR INFORMATION

To: Mayor and Members of Council

From: Harry Black, City Manager **HB**

Subject: **2016 Annual Minority and Women Business Enterprise (MBE/WBE) Program Spend Report**

Background

Per the Disparity Study published in July 2015, the City was proven to have a past pattern of discrimination in contracting specifically related to Minority and Women Owned Businesses (MBE/WBEs). In response on January 1, 2016, thanks to strong leadership from the Mayor and City Council, the City established a Minority and Women Business Enterprise Program.

The City's annual goals for MBE/WBE participation in City contracts are 17% MBE and 10% WBE for construction contracts, and 14% MBE and 16% WBE for professional services contracts. During 2016, the City surpassed its annual award goals. In 2016, the City awarded nearly a quarter, 24.85%, of its outside expenditures with MBE/WBE firms. The total MBE/WBE award including prime and subcontracting participation was \$27.9 million. Of that amount, \$19.6 million (17.44%) was awarded to MBEs and \$8.3 million (7.41%) was awarded to WBEs across all contract types. City awards are executed on a staggered basis and because contract lengths vary and can cross multiple years, annual reporting of City spend on contract awards provides a fraction of what will be realized in future quarterly and annual reporting. Spend for the base period of 2016 contract and subcontract awards will be realized throughout City quarterly spend reporting. Contracts with option periods associated with them will yield additional spend for the entire life of the contract.

Results

The attached 2016 Annual MBE/WBE Spend Report prepared by the Department of Economic Inclusion (DEI) strategically focuses on MBE/WBE certified City spending linked with competitive transactions. It represents the spending associated with City contracts that were awarded through a competitive process for the purchase of goods and services, after the exclusion of certain categories of expenditures not considered for MBE and WBE spend reporting purposes, similar to those exclusions applied to Small Business Enterprise (SBE) spend reporting.

In 2016, the first year of the MBE/WBE program achieved spend of \$11,344,380.08 to certified MBE/WBEs. The breakdown by contract type is \$3,113,865.50 for construction, \$1,295,454.44 for professional services and \$6,935,060.14 for non-professional services and supplies. Due to the inherent built-in lag between contract award and contract spend, the balance of spend \$16.6 million on contract awards made in 2016 is expected to be spent by the end of the third quarter of this year. All spend will be reported in the subsequent quarterly and yearly spend reporting that coincides with that spend. This award and spend reporting is pursuant to Cincinnati Municipal Code Chapter 324.

Certified Vendors

In the first year of the MBE/WBE program, through vigorous outreach and engagement activities, the City registered 205 MBE, MWBE and WBE firms. This is a critical step toward achieving on-going inclusion, because without certified vendors able to do City work the MBE/WBE participation success achieved to date will not be sustained.

DEI continues to engage through several outreach efforts to encourage businesses to apply for City certification. Additional detail regarding MBE and WBE certifications, outreach and capacity building is provided in the attached report.

Conclusion

Reporting spend is an important metric in measuring the economic impact of our MBE/WBE program and will be reported quarterly with contract award in 2017. The City is committed to increasing MBE/WBE spend in 2017 and will continue to monitor our progress toward reaching our goals. We are realizing success, and the more opportunities we create, the greater impact we can achieve. This success is not possible without the continued steadfast support and leadership provided by the Mayor and City Council. Our leaders have recognized the need to enhance contracting participation for all those wishing to do business with the City and have provided the essential resources needed to implement these programs.

Attachment



2016 ANNUAL MBE/WBE SPEND REPORT

Presented by the City Manager and
the Department of Economic Inclusion

I. INTRODUCTION

Attached is the CY2016 Year-End Minority and Women Business Enterprise Program Spend Report (MBE/WBE Report). The ordinance ordaining Cincinnati Municipal Code Chapter 324, "Minority and Women Business Enterprise Program," was passed by City Council on September 30, 2015 and became effective on January 1, 2016.

The ability to set significant Minority Business Enterprise (MBE) and Women Business Enterprise (WBE) inclusion goals on contract awards is dependent upon having a sufficient pool of certified vendors ready, willing and able to perform the required work on City contracts. Insofar as certification is a necessary prerequisite to goal-setting, the first part of the MBE/WBE Report provides certification data as of December 31, 2016.

Like the Small Business Enterprise (SBE) program, the next part of the MBE/WBE Report strategically focuses on City spending linked with competitive transactions. It represents the spending associated with City contracts that were awarded through a competitive process for the purchase of goods and services, after the exclusion of certain categories of expenditures not considered for MBE and WBE spend reporting purposes. Those are the same exclusions applied for SBE spend reporting.

The Department of Economic Inclusion reports on payments made to MBEs/WBEs during the fiscal year and considers the reports on spend an important metric beyond contract awards. Reporting on payments is a critical factor in measuring the economic impact of our MBE/WBE program. It is important, however, to understand the nuances associated with reporting on spend alone.

The City's annual goals for MBE/WBE participation in City contracts are 17% MBE and 10% WBE for construction contracts, and 14% MBE and 16% WBE for professional services contracts. During 2016, the City surpassed its annual award goals. In 2016, the City awarded nearly a quarter, 24.85%, of its outside expenditures with MBE/WBE firms. The total MBE/WBE award including prime and subcontracting participation was \$27.9 million. Of that amount, \$19.6 million (17.44%) was awarded to MBEs and \$8.3 million (7.41%) was awarded to WBEs across all contract types. City awards are executed on a staggered basis and because contract lengths vary and can cross multiple years, annual reporting of City spend on contract awards provides a fraction of what will be realized in future quarterly and annual reporting. Spend for the base period of 2016 contract and subcontract awards will be realized throughout City quarterly spend reporting. Contracts with option periods associated with them will yield additional spend for the entire life of the contract.

Due to the inherent built-in lag between contract award and contract spend, the balance of spend \$16.6 million on contract awards made in 2016 is expected to be spent by the end of the third quarter of this year. All spend will be reported in the subsequent quarterly and yearly spend reporting that coincides with that spend. This award and spend reporting is pursuant to Cincinnati Municipal Code Chapter 324.

II. DEFINITIONS

For purposes of this report, key words are defined by the Department of Economic Inclusion (DEI) as follows:

“Award” means contracts approved by the City Manager’s Procurement Review Team (CMPRT) for award to a particular vendor in accordance with Administrative Regulation 62, and on which either MBE and WBE subcontracting goals have been set or for which prime awards have been made to an MBE or WBE.

“Exclusion” means (1) those expenditures that, by their nature, do not occur on a competitive basis;¹ (2) those expenditures made to non-profits, other public agencies or to excluded vendors;² (3) expenditures associated with object codes within the City’s coding system that do not fall into the classifications of construction, professional services, or non-professional services/supplies; and (4) voucher payments associated with utilities, travel, interdepartmental and “Finance use only” expenditures. Information regarding all expenditures excluded during the 1st quarter of 2016 is provided in Attachment IV.

“Lag” means the period of time that elapses between the selection of a contractor for award of a City contract and confirmation by the MBE/WBE subcontractor of receipt of payment from the prime contractor for work performed under the contract. The length of time it takes to complete the following tasks, most of which are outside the control of the City, determines the lag between award and reported MBE/WBE subcontract spend for any given contract: performance of some portion of the subcontracted work by the MBE/WBE subcontractor, invoicing by the MBE/WBE for the work performed, payment processing by the prime contractor, report of the payment to the MBE/WBE subcontractor in the VCCS system, and confirmation by the MBE/WBE subcontractor through VCCS of payment receipt. Subcontracted work that takes place near the end of a project will have a longer lag period than subcontracted work that is necessary at the beginning of a project.

“MBE” means a business that has been certified by the City of Cincinnati as a minority business enterprise, as that term is defined by CMC § 324-1-M. Based on the results of the City’s most recent disparity study, only African American-owned firms and Asian American-owned firms are eligible for MBE certification, but Asian American-owned firms may be certified only for non-professional services and supplies. Under Chapter 324, MBEs may be male-owned or female-owned. However, for purposes of certification data tracking, DEI designates female-owned MBEs as MWBEs.

“MWBE” means a business that has been certified by the City of Cincinnati as both a minority business enterprise and as a women business enterprise, as each is defined by CMC § 324-1-M and CMC § 324-1-W1, respectively. Based on the results of the City’s most recent disparity study, only African American-owned firms and Asian American-owned firms are eligible for MWBE certification, but Asian American-owned firms may be certified only for construction and for non-professional services and supplies. Firms certified as MWBEs may be counted either toward the MBE goal or toward the WBE goal on a contract; they may not be counted toward both on the same contract.

“Spend” means total dollars paid to certified MBEs and WBEs, or to all City vendors, less Exclusions.

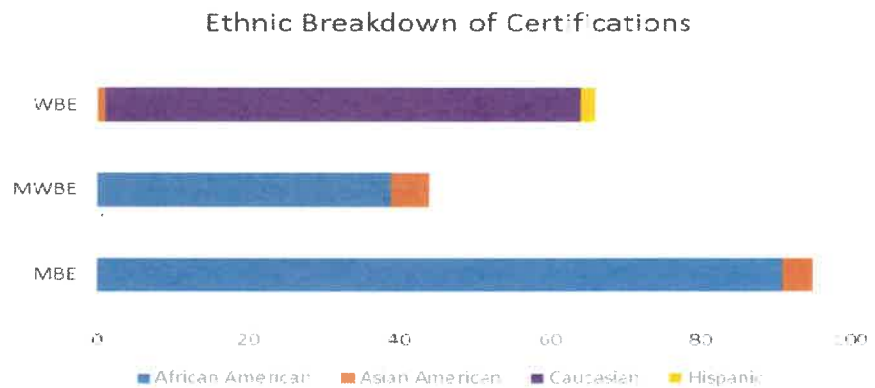
¹ Examples of exclusions under this category include payments made by the City for personnel salaries, health care costs, tuition reimbursement, judgments, office rent, training, unemployment benefits, etc. Single Available Source and Direct Award contracts also are excluded under this category.

² This includes payments made to non-profit organizations that receive operating funding from the City, the Cincinnati Public School Board, other municipalities, the state and federal governments, and other vendors specifically identified as providing goods or services outside of the competitive market.

“WBE” means a business that has been certified by the City of Cincinnati as a women business enterprise, as that term is defined by CMC § 324-1-W1.

III. CY2016 MBE, MWBE, and WBE CERTIFICATION, OUTREACH AND CAPACITY BUILDING HIGHLIGHTS

As of December 31, 2016, the City had certified a total of 205 MBE, MWBE and WBE firms in a pool of approximately 12,824 vendors registered to do business with the City. Of those certified firms, 95 are male-owned MBEs, 44 are MWBEs, and 66 are WBEs owned by non-minority (as defined by the CMC) women. Among the firms with active certifications at the end of the year, 91 of the MBEs are African American-owned, and 4 are Asian American-owned. Among the MWBEs, 39 are African American-owned, and the remaining 5 are Asian American-owned. The ethnic breakdown of the WBE firms includes 63 Caucasian-owned businesses, 1 Asian American-owned business, and 2 Hispanic American-owned businesses. The firms with active MBE/WBE certifications under Chapter 324 of the Municipal Code at year end represent about 1.6% of the total registered vendors. MBEs represent 0.74% of the total registered vendors, MWBEs represent 0.34% of the total registered vendors, and WBEs represent 0.51% of the total registered vendors.



Given the ability to set mandatory MBE and WBE goals on a contract is directly related to the number of City-certified firms capable of performing work on that contract, DEI has engaged in a number of outreach efforts to encourage eligible businesses to apply for certification and to help build the capacity of those businesses to perform on City contracts. DEI initiatives in this area include instituting The Business Training Center, which offers classes from Fall through the Spring each year; conducting full-day targeted certification campaigns; partnering with ODOT and the Ohio Minority Business Assistance Center to host Construction Summit 2016; creating networking opportunities for MBEs and WBEs with prime contractors; participating in panels and making presentations to various community organizations; and providing small, minority-owned and women-owned businesses a competitive “green” advantage through its sustainability program. For a more details on these efforts, please see the *MBE/WBE Utilization Update – Year Ending December 31, 2016*, which was filed with Council on February 14, 2017 (“the 2016 MBE/WBE Award Report”).

IV. CY2016 MBE/WBE SPEND

A. MBE, MWBE and WBE Spend by Race and Gender

The MBE/WBE program is a race- and gender-conscious program. Of the \$11,344,380.08 total spend in Hamilton County with firms certified under Chapter 324, \$8,754,206.87 (77.17%) was paid to MBEs³ and

³ Firms certified as MWBEs may be counted toward either the mandatory MBE goal or the mandatory WBE goal on a contract, but not both. For purposes of this MBE/WBE Report, all MWBE spend was counted and is reported as MBE spend.

\$2,590,173.21 (22.83%) was paid to WBEs. Of the total MBE spend in CY2016, \$1,625,283.05 was paid to MWBEs, which represents 18.57% of the reported MBE spend and 14.33 % of the total certified spend.

Table 1 provides a more detailed breakdown of total MBE and WBE spend by prime contracts and subcontracts.

City of Cincinnati - MBE/MWBE/WBE Spend
Total Prime and Subcontract Spend (Excludes MSD)
January 2, 2016 - December 31, 2016

Table 1

2016 MBE/WBE Certified Spend - Prime and Subcontracts				
Certified Spend Prime and Subcontract	MBE	MWBE	WBE	TOTAL
Certified Prime Spend	\$ 5,041,689.22	\$ 1,059,763.38	\$ 2,342,170.33	\$ 8,443,622.93
Certified Subcontract Spend	\$ 2,087,234.60	\$ 565,519.67	\$ 248,002.88	\$ 2,900,757.15
TOTAL	\$ 7,128,923.82	\$ 1,625,283.05	\$ 2,590,173.21	\$ 11,344,380.08

Table 2 further breaks down the MBE and WBE prime contract spend both by ethnicity and by contract type.

City of Cincinnati - MBE/MWBE/WBE Spend
Prime Spend Breakdown (Excludes MSD)
January 2, 2016 - December 31, 2016

Table 2

2016 MBE/WBE Certified Spend - Prime Contracts				
Certified Prime Spend by Ethnicity	MBE	MWBE	WBE	TOTAL
African American	\$ 4,422,965.86	\$ 1,004,241.78		\$ 5,427,207.64
Asian American (Const. & Prof. Services*)	\$ 455,071.50		\$ -	\$ 455,071.50
Asian American (Supplies/Services*)	\$ 163,651.86	\$ 55,521.60		\$ 219,173.46
Caucasian			\$ 2,342,170.33	\$ 2,342,170.33
Hispanic			\$ -	\$ -
Native American			\$ -	\$ -
TOTAL	\$ 5,041,689.22	\$ 1,059,763.38	\$ 2,342,170.33	\$ 8,443,622.93
Certified Prime Spend by Category	MBE	MWBE	WBE	TOTAL
Construction	\$ 206,638.85	\$ 27,478.00	\$ 139,422.45	\$ 373,539.30
Professional Services	\$ 465,617.10	\$ 183,742.14	\$ 485,664.25	\$ 1,135,023.49
Supplies/Services	\$ 4,369,433.27	\$ 848,543.24	\$ 1,717,083.63	\$ 6,935,060.14
TOTAL	\$ 5,041,689.22	\$ 1,059,763.38	\$ 2,342,170.33	\$ 8,443,622.93

The same detail is provided for MBE and WBE subcontract spend in Table 3.

City of Cincinnati - MBE/MWBE/WBE Spend
Subcontract Spend Breakdown (Excludes MSD)
January 1, 2016 - December 31, 2016

Table 3

2016 MBE/WBE Certified Spend - Subcontracts				
Certified Subcontract Spend by Ethnicity	MBE	MWBE	WBE	TOTAL
African American	\$ 2,070,112.31	\$ 565,519.67		\$ 2,635,631.98
Asian American (Const. & Prof. Services*)	\$ 17,122.29		\$ -	\$ 17,122.29
Asian American (Supplies/Services*)	\$ -	\$ -		\$ -
Caucasian			\$ 248,002.88	\$ 248,002.88
Hispanic			\$ -	\$ -
Native American			\$ -	\$ -
TOTAL	\$ 2,087,234.60	\$ 565,519.67	\$ 248,002.88	\$ 2,900,757.15
Certified Subcontract Spend by Category	MBE	MWBE	WBE	TOTAL
Construction	\$ 1,945,031.25	\$ 547,292.07	\$ 248,002.88	\$ 2,740,326.20
Professional Services	\$ 142,203.35	\$ 18,227.60	\$ -	\$ 160,430.95
Supplies/Services	\$ - 4	\$ -	\$ -	\$ -
TOTAL	\$ 2,087,234.60	\$ 565,519.67	\$ 248,002.88	\$ 2,900,757.15

V. CONCLUSION

The annual report provides a snapshot view of how the City is progressing toward reaching its annual MBE and WBE goals. The information gathered each quarter will be used to strategize for the coming months. Spend for the base period of 2016 contract and subcontract awards will be realized throughout City quarterly spend reporting. Contracts with option periods associated with them will yield additional spend for the entire life of the contract. The balance of spend on contract awards made in 2016 is expected to be captured in 2017. Given the short period of time that has elapsed since the inception of these programs and the lag between award of contracts and expenditures under those contracts, MBE and WBE data will continue to be reported both in the form of award and spend in order to give a full picture of program progress.